

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 753 - HB 1681

March 16, 2009

SUMMARY OF BILL: Prohibits insurers who provide coverage for the state employee health plan from entering into exclusive provider agreements (EPA) with any hospital unless the same EPA is offered to each hospital in the service area beginning with the hospital that served the highest percentage of TennCare patients during the previous calendar year.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures – Exceeds \$100,000

Assumptions:

- It is estimated that the provisions of the bill will remove the economic incentive for insurers to enter into exclusive provider agreements (EPA) with hospitals that serve the state employee health plan enrollees.
- With fewer EPAs being utilized across the state, there could be price increases for medical services charged which will result in greater expenditures by both the state plan and employees.
- The Department of Finance and Administration estimates that there could be a five percent increase in the amount of allowable costs. Based on 2006 and 2007 expenditures in one service area, the increase in expenditures could range from \$240,000 ($4,800,000 \times .05$) to \$295,000 ($\$5,900,000 \times .05$).
- The state pays approximately 80 percent of premiums as the employer contribution to the state employee health plans. It is estimated that the increase in state expenditures will exceed \$100,000 ($\$240,000 \times .80 = \$192,000$).

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" and last name "White" clearly legible, and "W." in the middle.

James W. White, Executive Director

/kml